

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6757

BILL NUMBER: SB 337

NOTE PREPARED: Jan 2, 2008

BILL AMENDED:

SUBJECT: Direct Wine Sales.

FIRST AUTHOR: Sen. Steele

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill changes the amount of wine a farm winery can sell annually from 500,000 to 1,000,000 gallons of wine. The bill also provides that a holder of a wine dealer's permit is eligible for a direct wine seller's permit.

This bill removes requirements that before a direct wine seller (seller) may sell to a consumer: (1) the consumer must provide information in one face-to-face transaction at the seller's place of business; or (2) under certain circumstances, the consumer must provide a verified statement that the consumer is at least 21 years of age and the seller must provide information to the Alcohol and Tobacco Commission. The bill amends the eligibility requirements for a direct wine seller's permit.

The bill also requires a consumer to provide the consumer's name, valid delivery address and telephone number, payment, and proof of age by a state-issued driver's license or identification card, electronically or otherwise transmitted, before a seller may sell wine directly to a consumer. This bill requires sellers to remit to the Department of State Revenue all Indiana Excise Taxes and Sales and Use Taxes due on the shipments made into the state quarterly. (Current law requires the sellers to remit the taxes monthly.)

The bill allows a holder of an alcoholic beverage permit to sell or offer to sell an alcoholic beverage on credit to an individual who does not hold an alcoholic beverage permit. This bill makes conforming changes.

The bill repeals provisions that: (1) require a consumer to provide certain information to a seller; (2) restrict the amount of wine a seller may direct ship in Indiana during a permit year; and (3) restrict the amount of wine a consumer may receive in a calendar year. The bill also makes it a Class C infraction for a consumer to resell wine purchased from a holder of a direct wine seller's permit.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill will cause an increase in administrative expenditures for the Alcohol and Tobacco Commission (ATC) by requiring the ATC to amend rules governing issuance of direct wine seller's permits. This increase may be offset to the extent that more direct wine seller's permits are issued and more funds are deposited in the ATC's Enforcement and Administration Fund (EAF). It is estimated that this bill increases the number of individuals or entities eligible to receive a direct wine seller's permit.

Explanation of State Revenues: This bill could cause an increase in permit fee revenues deposited in the state General Fund and the EAF. The amount of the increase is indeterminable and will ultimately depend upon the number of new direct wine seller's permits that are issued. The fee for this permit is \$100 per year, and the revenues are deposited 66% in the state General Fund and 34% in the EAF. The ATC reports that as of January 2, 2008, there had been 40 direct wine seller's permits issued. The bill changes many of the eligibility requirements for direct wine seller's permits. It is anticipated that these changes will result in more individuals or entities becoming eligible to receive a direct wine seller's permit.

Penalty Provision: The bill prohibits direct wine shipment consumers from reselling the wine received from the direct wine seller. The penalty for violating this prohibition is a Class C infraction. The maximum judgment for a Class C infraction is \$500, which would be deposited in the state General Fund. However, any additional revenue is likely to be small.

Background: To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax.

The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the ATC Enforcement and Administration Fund, the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues: *Penalty Provision:* The bill prohibits direct wine shipment consumers from reselling the wine received from the direct wine seller. The penalty for violating this prohibition is a Class C infraction. If additional court actions are filed and a judgment is entered, local governments would receive revenue from court fees. However, any additional revenue is likely to be small.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Trial courts, local law enforcement agencies.

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